

Memorandum

To: Panel Members

From: Diana Torres, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Beach House Inn**
www.thebeachhouse.com

Date: December 19, 2002

Analyst: R. Negrete

CONTRACTOR:

- Training Project Profile: Job Creation: Career Ladders, SET - Workers Earning At Least the State Average Hourly Wage
- Legislative Priorities: Career Ladders, Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 351
 - In California: 351
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$99,320
- Substantial Contribution: \$0
- Total ETP Funding: \$99,320
- In-Kind Contribution: \$205,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles, Orange, San Bernardino, San Diego
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Ocean Consulting Group of Murrieta, California - \$75,000 to provide all class/lab training.

Ocean Consulting Group of Murrieta, California - \$12,000 to provide the majority of project administration services.

THIRD PARTY SERVICES:

Applicant representatives state that Ocean Consulting Group provided assistance in conducting the training needs assessment and development of the training plan, Curriculum, and other application requirements at no cost.

NARRATIVE:

A portion of this training proposal is under the California Career Ladders to the 21st Century Training project. This proposal represents a joint development effort between the Employment Development Department (EDD) and ETP, in accordance with Title 22, California Code of Regulations (22 CCR), Section 4408 (a), which states in part:

“To address the training needs in industries and occupations with demonstrated career advancement opportunities, the Panel may fund projects developed jointly with the Employment Development Department, under California Career Ladders to the 21st Century, to provide workers in low-wage jobs the skills necessary to advance to higher paying jobs in industries with the potential for career advancement opportunities.”

EDD supports this Career Ladders project because it will assist Beach House Inn to address the shortage of qualified workers at its five company restaurants and future planned locations. This proposal will provide 30 current workers in low-wage positions the skills necessary to advance to higher paying positions with the potential for career advancement. All 30 Career Ladders trainees meet the Panel's frontline worker definition in accordance with Title 22, CCR 4400(ee)(1) and (3). The 30 retrainees will be provided training funded under the Career Ladders Regulation for projects that foster job creation.

Beach House Inn opened its first restaurant in Laguna Beach, in 1968 and now operates Beach House restaurants in Dana Point, Cardiff by the Sea, Rancho Mirage, and a Denny's in Baker, California. The Beach House Inn is eligible for Career Ladders training as a private, for-profit employer subject to the Unemployment Insurance Tax and the Employment Training Tax. All participating Beach House Inn restaurants and the Denny's restaurant had a turnover rate of 18 percent or less in Calendar year 2001.

Career Ladders Design

Beach House Inn occupations include Cooks, Prep Cooks, Hostesses, Bartenders, and Food Servers earning \$7.85 - \$11.50 per hour, inclusive of health benefits. Each participating restaurant has created a Career Ladders process that includes the creation of senior frontline employee positions of Shift Leader or Server Trainer. The proposed Career Ladders training will train employees from the aforementioned low-wage occupations and provide the opportunity to promote into the Career Ladders occupations of Shift Leader and Server Trainer in each restaurant. In some cases, Career Ladder trainees may be able to promote at least two levels to Department Supervisor or Sous Chef. Trainees will be provided paid mandatory skill training that will assure them the opportunity for promotion, as opportunities become available in current participating restaurants and as new restaurants open.

NARRATIVE: (continued)

Each employee who successfully performs in the new positions will be eligible to receive additional training and will have the opportunity to promote into advanced senior positions as Supervisors, Chefs, or Managers, as the additional restaurants open. Each Career Ladders trainee who successfully completes training will be provided a wage increase of at least 5 percent by the end of the 90-day employment retention period. All Beach House Inn restaurants provide health benefits.

With Career Ladders funding, Beach House Inn expects to improve the job performance of the low-wage, less skilled employees and provide them with career advancement opportunities. In addition, it will enable the restaurants to transition to a high performance workplace. ETP-funded training will also enable current and planned restaurants to create a highly skilled and flexible workforce that can respond to growth demands, adapt to the increasingly stringent food and beverage requirements, and implement improved quality customer service and retention techniques.

The following table represents the potential career advancement opportunities for proposed Career Ladders trainees:

Current Job Title	Current Wage Range Without Health Benefits	Wage Range Including Health Benefits
Food Server, Hostess	\$7.00 - \$10.00	\$7.85 - \$11.50
Bartender	\$7.00 - \$10.00	\$7.85 - \$11.50
Prep Cook, Cook	\$7.00 - \$10.00	\$7.85 - \$11.50

Career Ladders Job Title	Wage Range Without Health Benefits	Wage Range Including Health Benefits
Shift Lead	\$9.00 - \$13.00	\$10.25 - \$14.75
Server Trainer	\$9.00 - \$13.00	\$10.25 - \$14.75
Department Supervisors	\$20.27 - \$23.00	\$21.75 - \$24.85
Sous Chef	\$20.27 - \$23.00	\$21.75 - \$24.80

SET Frontline Worker Training

Beach House Inn is also proposing to train 20 Sous Chefs and Department Supervisors under the Panel's Special Employment Training (SET) program in accordance with California Unemployment Insurance Code, Section 10214.5(a)(b) for funding special employment training projects that improve the skills and employment security of frontline workers in occupations that earn at least the state average hourly wage.

Beach House Inn proposes to train 20 Sous Chefs and Department Supervisors for advancement to Restaurant Manager or Chef. These employees are exempt from overtime under state or federal law and are not covered by a collective bargaining agreement. Their primary job duties are to directly produce or deliver goods or services. Department Supervisor and Sous Chefs are responsible for insuring that restaurant staff are scheduled and trained. Department Supervisors are also responsible for frontline supervision of front house staff, problem-solving and assisting front house staff. Sous Chefs are responsible for coordinating the duties of cooks, problem-solving, and assisting back of the house personnel. Both positions elevate relevant issues to the Restaurant Manager.

NARRATIVE: (continued)

The twenty SET frontline worker trainees will still have the overall responsibility for performing frontline duties in their respective departments. In addition, they may discipline employees, oversee employee training, plan special events, and have minor purchasing authority.

Beach House Inn has developed a Menu Curriculum consisting of 148 Class/Lab training hours in Continuous Improvement and Business Skills, which includes restaurant operations skills for the 30 (Job Number 1) Career Ladders trainees. The Menu Curriculum also includes 160 Class/Lab training hours in Continuous Improvement and Business Skills, which includes restaurant operations skills for the 20 (Job Number 2) SET frontline worker trainees.

Continuous Improvement training includes motivation and teambuilding techniques to develop high performance teamwork, problem-solving, and decision-making skills that result in improved decisions and actions by restaurant employees. Total quality improvement training will include improved work process methodologies to provide improved levels of restaurant and service efficiency. Leadership training will enable retrainees to lead and supervise subordinate staff in a high performance workplace. Continuous Improvement training will enable frontline workers to make key decisions at the lowest level of the organization and enable them to acquire the skills to promote to more responsible and financially rewarding positions.

Business Skills training will provide frontline workers with Communication Skills to enable them to communicate effectively with a diverse group of employees and customers. Time Management and Customer Service Skills will enable trainees to enhance the customers' experience and satisfaction. Business Operations Skills will give trainees skills in planning and implementing the various logistics of normal business operations. Project management training will enable frontline workers to accomplish complex projects (special events, catering) with a higher degree of effectiveness. Restaurant operations skills will include restaurant database systems, advanced guest relations, special events planning and operation, inventory control, and asset protection and training skills.

The expected outcome for the ETP-funded training is a five to ten percent improvement in overall profitability and a fifteen percent reduction in time and material waste.

Supplemental Nature of Training

Beach House Inn has certified in writing that ETP-funded training is supplemental to training that it provides in the normal course of doing business at the five participating restaurants. At each participating restaurant, training has been restricted to specific job-related skill training. Employees are provided approximately 25 -30 hours a year in new employee orientation, safety, job-specific skills training, and operational updates. Most of the company-sponsored training is provided as on-the-job training. Due to resource constraints, the quantity and effectiveness of the company-sponsored training is limited. The annual expenditure for company-funded employee training is approximately \$80,000 for all five participating restaurants.

NARRATIVE: (continued)

In-Kind Contribution

The company's in-kind contribution is estimated at \$205,000. This estimate is comprised of \$120,000 for project development costs (\$15,000); excess costs for training or administration activities that exceed the ETP fixed-fee reimbursement (\$20,000); training materials (\$15,000); and, training employees not eligible for ETP reimbursement (\$70,000). In addition, wages total \$63,000 and benefits total \$22,000 paid during training.

COMMENTS:

Wage Waiver

Pursuant to 22 CCR, Section 4408(b)(2), the Panel may waive the ETP minimum wage requirement for workers in a Career Ladders project. The ETP minimum hourly wage following retention for Calendar Year 2002 for Los Angeles County is \$11.78 per hour; \$11.66 per hour for Orange County; \$11.16 per hour for San Diego County; and \$11.15 per hour for San Bernardino County. Beach House Inn requests a waiver of the ETP minimum wage for these counties to allow Job Number 1 Career Ladders trainees to earn no less than a base wage of \$9.00 per hour (without health benefits) following the 90-day retention period. With health benefits, the wage range for Career Ladders trainees will be \$10.25 - \$14.75 per hour. There are no tips included in the aforementioned reported wages.

Career Ladders

The Beach House Inn Career Ladders proposal includes career advancement to Server Trainer and Shift Leader occupations. However, Beach House Inn cannot guarantee there will be available positions at the end of training. Beach House Inn does understand that the Agreement Terms and Conditions require advancement and at least a 5 percent wage increase within one year of the completion of training.

Therefore, staff asks the Panel to determine if the Beach House Inn's proposal meets the Career Ladders funding requirements.

Career Ladders Curriculum

The Beach House Inn proposes to train 30 low-skilled workers to move up to Server Trainer and Shift Leader. However, the proposed Curriculum does not appear to contain specific topics for these skills.

Therefore, staff asks the Panel to determine if the proposed Curriculum is consistent with the Career Ladders funding requirements.

SET Front-Line Workers

Title 22, California Code of Regulations (22 CCR), Section 4400(ee)(3), states in part that a "frontline worker" is an individual who meets the following criteria:

"Is exempt from overtime under state or federal law and not covered by a collective bargaining agreement if his or her primary job responsibility is directly producing or delivering goods or services."

Beach House Inn representatives state that the Department Supervisors and Sous Chefs meet the definition of frontline worker in accordance with Title 22 CCR 4400(ee)(3).

PROPOSED ACTION:

Staff recommends that the Panel approve this proposal, if funds are available and the project meets Panel priorities, only if:

- the Panel determines that the proposed curriculum will supply the Career Ladders trainees with the necessary skills for career ladder promotion; and,
- the Panel determines that the company's promotion plan is consistent with the Panel's intent for Career Ladders funding; and,
- the Panel approves the company's request to waive the ETP minimum wage on behalf of the five participating restaurants in Los Angeles, Orange, San Bernardino, and San Diego counties.

Panel approval will enable Beach House Inn to provide low-wage employees with career advancement opportunities.

TRAINING PLAN:

Grp/ Trainee Type	Types of Training	No. Retain	No. Class/Lab Hours	No. CBT Hours	Cost per Trainee	Hourly Wage after 90 days
Retrainees						
Job Number 1 Career Ladders	Menu Curriculum – Business Skills Continuous Improvement	30	148	-0-	\$1,924	*\$10.25 - \$20.27
Job Number 2 SET Frontline Workers	Menu Curriculum – Business Skills Continuous Improvement	20	160	-0-	\$2,080	\$20.27 - \$23.00
					<u>Range of Hourly Wages</u> *\$10.25 - \$23.00	
					<u>Prevalent Hourly Wage</u> *\$10.25	
					<u>Average Cost per Trainee</u> \$1,986	
<u>Health Benefits used to meet ETP minimum wage:</u> *Health benefits ranging from \$1.25 - \$2.00 per hour will be added to the hourly wages for Job Number 1 Career Ladders trainees.				<u>Turnover Rate</u> 10% to18%	<u>% of Managers to be trained</u> 0%	

BEACH HOUSE INN MENU CURRICULUM

Class/Lab Hours

148 – 160

Trainees may be provided any of the following:

CONTINUOUS IMPROVEMENT

Teambuilding

Problem Solving And Decision Making

Quality Improvement Techniques

Leadership Skills in a High Performance Workplace

Coaching Skills

BUSINESS SKILLS

Communication Skills

Time Management

Quality Customer Service

Business Operations

- Budgeting
- Planning
- Logistics

Project Management

Restaurant Operations Skills

- Restaurant Database Systems
- Advanced Guest Relations
- Special Events Planning and Operation
- Inventory Control
- Asset Protection
- Training Skills

**Participating Employers in A Retrainee
Multiple Employer Contracts**

Contractor's Name: Beach House Inn

CCG No.: ET03-0223

Reference No: 03-0098

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PRINT OR TYPE

Company: Beach House Inn

Address: 619 Sleepy Hollow Lane

City, State, Zip: Laguna Beach, CA 92651

Contact Person/Title: Chris Williams, General Manager

Telephone No.: (949) 494-9707

Collective Bargaining Agreement(s): N/A

Estimated #of employees to be retrained or hired under this Agreement: 10

Total # of full-time company employees worldwide: 60

Company: Cardiff Beach House, Inc.

Address: 2530 South Coast Highway

City, State, Zip: Cardiff by the Sea, CA 92007

Contact Person/Title: Chris Buetow, General Manager

Telephone No.: (760) 753-1321

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained or hired under this Agreement: 10

Total # of full-time company employees worldwide: 90

Company: Pike's Diversified (Dennys)

Address: 71928 West Baker Road

City, State, Zip: Baker, CA 92309

Contact Person/Title: Ginger Jacobsen, General Manager

Telephone No.: (760) 733-4316

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained or hired under this Agreement: 8

Total # of full-time company employees worldwide: 50

**Participating Employers in Retrainee/New Hire
Multiple Employer Contracts**

Contractor's Name: Beach House Inn

CCG No.: ET03-0223

Reference No: 03-0098

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PRINT OR TYPE

Company: Rancho Beach House, Inc.

Address: 115 Highway 101

City, State, Zip: Rancho Mirage, CA 92270

Contact Person/Title: Manuel Ochoa, General Manager

Telephone No.: (760) 328-6585

Collective Bargaining Agreement(s): N/A

Estimated #of employees to be retrained or hired under this Agreement: 10

Total # of full-time company employees worldwide: 40

Company: Rancho Beach House, Inc.

Address: 25001 Dana Drive

City, State, Zip: Dana Point, CA 92629

Contact Person/Title: Noah Pike, General Manager

Telephone No.: (949) 495-7310

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained or hired under this Agreement: 10

Total # of full-time company employees worldwide: 60

Company:

Address:

City, State, Zip:

Contact Person/Title:

Telephone No.:

Collective Bargaining Agreement(s):

Estimated # of employees to be retrained or hired under this Agreement:

Total # of full-time company employees worldwide: